



Bring Home the Gold

Grades 9-12

Student Workouts and Teacher Guide



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National Council on
Economic Education



Student Workouts

Grades 9-12

First Day of Work:

What's a Form W-4?



It's your first day on the job. Congratulations!

Now get ready for all the paperwork. On your first day you'll have to fill out several forms, but one of the most important is Form W-4, the Employee's (you) Withholding Allowance Certificate. This form will affect how much money you receive each payday, so it's important you understand it and how to fill it out properly.

What's the purpose of Form W-4, Employee's Withholding Allowance Certificate?

This form tells the federal government how much tax to take out of your paycheck. You claim allowances based on whether you're single or married and on whether you have kids or not. The more allowances you claim, the less tax the government takes out of each paycheck.

Filling Out Form W-4

Imagine arriving for your first day of work at Foo Foo Gourmet Coffee Shop.

Along with other paperwork as you begin your job, you will fill out a Form W-4. This will help the payroll department determine how much tax to take out of your paycheck.

You are single, with only one job.

Use the Personal Allowance Worksheet, Worksheet 1, to determine your personal allowances, then use this information to complete the Form W-4. Remember, if you don't fill out a W-4 form, your employer will withhold federal income taxes as if you filed as a single person with zero withholding allowances.



Do you need help with your W-4?
If so, visit www.NationalPayrollWeek.com/FormW4

Form W-4 (2008)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2008 expires February 16, 2009. See Pub. 505, Tax Withholding and Estimated Tax.

Note. You cannot claim exemption from withholding if (a) your income exceeds \$900 and includes more than \$300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, certain credits,

adjustments to income, or two-earner/multiple job situations. Complete all worksheets that apply. However, you may claim fewer (or zero) allowances.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax

payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see the Instructions for Form 8233 before completing this Form W-4.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your projected total tax for 2008. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A _____				
B	Enter "1" if: <table border="0"> <tr> <td>• You are single and have only one job; or</td> <td rowspan="3">}</td> <td rowspan="3">B _____</td> </tr> <tr> <td>• You are married, have only one job, and your spouse does not work; or</td> </tr> <tr> <td>• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.</td> </tr> </table>	• You are single and have only one job; or	}	B _____	• You are married, have only one job, and your spouse does not work; or	• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.
• You are single and have only one job; or	}	B _____				
• You are married, have only one job, and your spouse does not work; or						
• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.						
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C _____				
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D _____				
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E _____				
F	Enter "1" if you have at least \$1,500 of child or dependent care expenses for which you plan to claim a credit	F _____				
(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)						
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> • If your total income will be less than \$58,000 (\$86,000 if married), enter "2" for each eligible child. • If your total income will be between \$58,000 and \$84,000 (\$86,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have 4 or more eligible children. 	G _____				
H	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.)	H _____				
<table border="0"> <tr> <td>For accuracy, complete all worksheets that apply.</td> <td> <ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$25,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below. </td> </tr> </table>			For accuracy, complete all worksheets that apply.	<ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$25,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below. 		
For accuracy, complete all worksheets that apply.	<ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$25,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below. 					

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate ▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 2008
1 Type or print your first name and middle initial.		Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5		
6 Additional amount, if any, you want withheld from each paycheck		6		\$
7 I claim exemption from withholding for 2008, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶		7		
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.				
Employee's signature (Form is not valid unless you sign it.) ▶				
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)		10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form **W-4** (2008)

PAYDAY

What Are All These Deductions From My Paycheck?

It's exciting to receive your first paycheck. But for many people, that first rush of excitement soon yields to disappointment. They quickly realize the money they earned is not the same as the money they received. Uncle Sam and a lot of others have taken a bite out of that paycheck.

GROSS PAY

Gross pay is the total amount of money earned before any deductions are made. For example, many employees are paid at an hourly rate. In the case of an hourly employee, the number of hours worked is multiplied by the employee's wage. This results in the employee's gross pay.

$$40 \text{ hours} \times \$8.00 \text{ an hour} = \$320.00$$

$$\text{Gross pay} = \$320.00$$

NET PAY

The amount left after all deductions are taken out of the gross pay is the net pay. This is the actual amount of an employee's paycheck. Net pay is often called take-home pay, because it is the amount of money an employee actually receives on payday.

$$\text{Gross pay} - \text{Deductions} = \text{Net pay}$$

REQUIRED DEDUCTIONS

Federal income tax, state income tax, local income taxes and FICA taxes are among the required deductions taken from an employee’s paycheck. **These deductions are mandatory. Your employer *must* deduct the proper amounts from your paycheck.** The amount an employer will deduct from your paycheck is based on the W-4 form you filled out, so pay special attention to this form.

Employees complete the Form W-4—Employee’s Withholding Allowance Certificate—when they are hired. This form tells the employer the employee’s marital status and the number of allowances the employee wishes to claim. For example, an employee is able to claim allowances for himself or herself, a spouse, and children whom the employee supports. The more allowances an employee claims, the less income tax is withheld from the employee’s paycheck.

The actual amount deducted from a paycheck for federal, state, and local income taxes is determined by reference to tax tables provided by the various levels of government. Employers use the information provided by the tax tables and combine it with information from employees to determine how much to take out of an employee’s paycheck. FICA is the abbreviation for Federal Insurance Contributions Act. FICA provides for a federal system of old-age, survivors, disability, and health insurance. The old-age, survivors, and disability portion is paid by the Social Security tax. The health insurance portion is paid by the Medicare tax.

MANDATORY DEDUCTIONS FROM YOUR PAYCHECK		
Deduction	What do you get?	Who pays?
Federal income tax	Funds services provided by the federal government, such as defense, human services, and the monitoring and regulation of trade.	Employee
State income tax	Funds services provided by state government, such as roads, safety, and health. (Not all states have an income tax.)	Employee
Local income tax	Funds services provided by the city or other local government, such as schools, police, and fire protection. (Not all local areas have an income tax.)	Employee
FICA: Social Security tax (also known as OASDI)	Provides for old-age, survivors, and disability insurance benefits.	Employee and employer
FICA: Medicare tax (also known as HI)	Provides health insurance for retirees and certain disabled persons.	Employee and employer

OTHER DEDUCTIONS

In addition to required deductions, employers may take money directly out of employee paychecks to pay for various employee benefits. **These benefits are often referred to as “voluntary deductions” because they are not mandatory. Employees decide for themselves whether or not they want to participate in these programs.** Benefits vary by industry, by business and by the status of the employee in the company. Benefits may include such things as life insurance, disability insurance, medical insurance, dental insurance and retirement savings plans.

OTHER DEDUCTIONS*		
Deduction	What do you get?	Who pays?
Life insurance	Pays a beneficiary in the event that an employee dies.	Employer or employee, or shared
Short- and long-term disability insurance	Provides benefits in the event that an employee is disabled.	Employer or employee, or shared
Medical insurance	Employee and family insurance coverage for medical care expenses, including hospitalization, physician services, surgery and major medical expenses.	Employer or employee, or shared
Dental insurance	Employee and family insurance coverage for dental care expenses, including preventive diagnostic, basic, major and orthodontic services.	Employer or employee, or shared
Retirement savings plan	Normally, a tax-deferred savings plan for retirement.	Employer or employee (Employer may match)

*Whether or not these benefits are offered, and who will fund them, varies by the employer.



Questions

1. What is gross pay?

2. What is net pay?

3. True or False? The amount of your paycheck equals the total number of hours you worked times your rate of pay.

4. Name two mandatory deductions.

5. Name three other deductions.

Calculating a Paycheck #1

Imagine you are a new employee at Foo Foo Gourmet Coffee Shop.

Foo Foo pays its employees each week. You have claimed single and one allowance on your W-4 form. You work 40 hours per week at \$8.00 per hour. Use the background information, the Federal and State Tax tables on the following pages, and information on the form below to calculate your net pay.

Employee's name: _____

Pay period ☐ Weekly ☐ Semimonthly ☐ Monthly

Number of allowances _____ (0 or more) ☐ Single ☐ Married

GROSS PAY

1. You work _____ hours at \$ _____ per hour = _____

DEDUCTIONS

2. Federal Income Tax (see Federal tax table) _____

3. State Income Tax (see State Tax table) _____

4. FICA: Social Security Tax (use 6.20% x gross pay) _____

5. FICA: Medicare Tax (use 1.45% x gross pay) _____

Total Deductions (total lines 2 through 5) _____

Net Pay (subtract total deductions from the gross pay) _____

Calculating a Paycheck #2

Imagine you are a new assistant manager at Foo Foo Gourmet Coffee Shop.

Foo Foo pays its employees each week. You have claimed single and zero allowances on your W-4 form. You work 40 hours per week at \$9.00 per hour. Use this background information, the Federal and State Tax tables on the following pages and information on the form below to calculate your net pay.

Employee's name: _____

Pay period ☐ Weekly ☐ Semimonthly ☐ Monthly

Number of allowances _____ (0 or more) ☐ Single ☐ Married

GROSS PAY

1. You work _____ hours at \$ _____ per hour = _____

DEDUCTIONS

2. Federal Income Tax (see Federal tax table) _____

3. State Income Tax (see State Tax table) _____

4. FICA: Social Security Tax (use 6.20% x gross pay) _____

5. FICA: Medicare Tax (use 1.45% x gross pay) _____

Total Deductions (total lines 2 through 5) _____

Net Pay (subtract total deductions from the gross pay) _____

Federal Tax Table

Single Persons/Weekly Payroll Period

TABLE—1

(For Wages Paid in 2008)												
If the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
The amount of income tax to be withheld is—												
\$0	\$55	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
55	60	1	0	0	0	0	0	0	0	0	0	0
60	65	1	0	0	0	0	0	0	0	0	0	0
65	70	2	0	0	0	0	0	0	0	0	0	0
70	75	2	0	0	0	0	0	0	0	0	0	0
75	80	3	0	0	0	0	0	0	0	0	0	0
80	85	3	0	0	0	0	0	0	0	0	0	0
85	90	4	0	0	0	0	0	0	0	0	0	0
90	95	4	0	0	0	0	0	0	0	0	0	0
95	100	5	0	0	0	0	0	0	0	0	0	0
100	105	5	0	0	0	0	0	0	0	0	0	0
105	110	6	0	0	0	0	0	0	0	0	0	0
110	115	6	0	0	0	0	0	0	0	0	0	0
115	120	7	0	0	0	0	0	0	0	0	0	0
120	125	7	0	0	0	0	0	0	0	0	0	0
125	130	8	1	0	0	0	0	0	0	0	0	0
130	135	8	1	0	0	0	0	0	0	0	0	0
135	140	9	2	0	0	0	0	0	0	0	0	0
140	145	9	2	0	0	0	0	0	0	0	0	0
145	150	10	3	0	0	0	0	0	0	0	0	0
150	155	10	3	0	0	0	0	0	0	0	0	0
155	160	11	4	0	0	0	0	0	0	0	0	0
160	165	11	4	0	0	0	0	0	0	0	0	0
165	170	12	5	0	0	0	0	0	0	0	0	0
170	175	12	5	0	0	0	0	0	0	0	0	0
175	180	13	6	0	0	0	0	0	0	0	0	0
180	185	13	6	0	0	0	0	0	0	0	0	0
185	190	14	7	0	0	0	0	0	0	0	0	0
190	195	14	7	1	0	0	0	0	0	0	0	0
195	200	15	8	1	0	0	0	0	0	0	0	0
200	210	16	9	2	0	0	0	0	0	0	0	0
210	220	17	10	3	0	0	0	0	0	0	0	0
220	230	19	11	4	0	0	0	0	0	0	0	0
230	240	20	12	5	0	0	0	0	0	0	0	0
240	250	22	13	6	0	0	0	0	0	0	0	0
250	260	23	14	7	0	0	0	0	0	0	0	0
260	270	25	15	8	1	0	0	0	0	0	0	0
270	280	26	16	9	2	0	0	0	0	0	0	0
280	290	28	18	10	3	0	0	0	0	0	0	0
290	300	29	19	11	4	0	0	0	0	0	0	0
300	310	31	21	12	5	0	0	0	0	0	0	0
310	320	32	22	13	6	0	0	0	0	0	0	0
320	330	34	24	14	7	0	0	0	0	0	0	0
330	340	35	25	15	8	1	0	0	0	0	0	0
340	350	37	27	17	9	2	0	0	0	0	0	0
350	360	38	28	18	10	3	0	0	0	0	0	0
360	370	40	30	20	11	4	0	0	0	0	0	0
370	380	41	31	21	12	5	0	0	0	0	0	0
380	390	43	33	23	13	6	0	0	0	0	0	0
390	400	44	34	24	14	7	1	0	0	0	0	0
400	410	46	36	26	15	8	2	0	0	0	0	0
410	420	47	37	27	17	9	3	0	0	0	0	0
420	430	49	39	29	18	10	4	0	0	0	0	0
430	440	50	40	30	20	11	5	0	0	0	0	0
440	450	52	42	32	21	12	6	0	0	0	0	0
450	460	53	43	33	23	13	7	0	0	0	0	0
460	470	55	45	35	24	14	8	1	0	0	0	0
470	480	56	46	36	26	16	9	2	0	0	0	0
480	490	58	48	38	27	17	10	3	0	0	0	0
490	500	59	49	39	29	19	11	4	0	0	0	0
500	510	61	51	41	30	20	12	5	0	0	0	0
510	520	62	52	42	32	22	13	6	0	0	0	0
520	530	64	54	44	33	23	14	7	0	0	0	0
530	540	65	55	45	35	25	15	8	1	0	0	0
540	550	67	57	47	36	26	16	9	2	0	0	0
550	560	68	58	48	38	28	18	10	3	0	0	0
560	570	70	60	50	39	29	19	11	4	0	0	0
570	580	71	61	51	41	31	21	12	5	0	0	0
580	590	73	63	53	42	32	22	13	6	0	0	0
590	600	74	64	54	44	34	24	14	7	1	0	0

State Tax Table

(Example)*

And the wages are —		And the number of withholding allowances claimed is —										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
The amount of Wisconsin income tax to be withheld shall be —												
\$ 0	\$ 75	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
75	80	.10										
80	85	.30										
85	90	.50	.20									
90	95	.80	.40	.10								
95	100	1.00	.60	.30								
100	105	1.20	.90	.50	.20							
105	110	1.50	1.10	.70	.40							
110	115	1.70	1.30	1.00	.60	.30						
115	120	1.90	1.60	1.20	.90	.50	.10					
120	125	2.10	1.80	1.40	1.10	.70	.40					
125	130	2.40	2.00	1.70	1.30	1.00	.60	.30				
130	135	2.60	2.30	1.90	1.50	1.20	.80	.50	.10			
135	140	2.80	2.50	2.10	1.80	1.40	1.10	.70	.40			
140	145	3.10	2.70	2.40	2.00	1.70	1.30	.90	.60	.20		
145	150	3.30	2.90	2.60	2.20	1.90	1.50	1.20	.80	.50	.10	
150	155	3.50	3.20	2.80	2.50	2.10	1.80	1.40	1.00	.70	.30	
155	160	3.80	3.40	3.00	2.70	2.30	2.00	1.60	1.30	.90	.60	.20
160	165	4.00	3.60	3.30	2.90	2.60	2.20	1.90	1.50	1.20	.80	.40
165	170	4.20	3.90	3.50	3.20	2.80	2.40	2.10	1.70	1.40	1.00	.70
170	175	4.40	4.10	3.70	3.40	3.00	2.70	2.30	2.00	1.60	1.30	.90
175	180	4.70	4.30	4.00	3.60	3.30	2.90	2.60	2.20	1.80	1.50	1.00
180	185	4.90	4.60	4.20	3.80	3.50	3.10	2.80	2.40	2.10	1.70	1.40
185	190	5.10	4.80	4.40	4.10	3.70	3.40	3.00	2.70	2.30	2.00	1.60
190	195	5.40	5.00	4.70	4.30	4.00	3.60	3.20	2.90	2.50	2.20	1.80
195	200	5.60	5.20	4.90	4.50	4.20	3.80	3.50	3.10	2.80	2.40	2.10
200	205	5.80	5.50	5.10	4.80	4.40	4.10	3.70	3.30	3.00	2.60	2.30
205	210	6.10	5.70	5.40	5.00	4.70	4.30	4.00	3.60	3.20	2.90	2.50
210	215	6.30	6.00	5.60	5.30	4.90	4.60	4.20	3.90	3.50	3.10	2.80
215	220	6.60	6.20	5.90	5.50	5.20	4.80	4.50	4.10	3.80	3.40	3.10
220	225	6.80	6.50	6.10	5.80	5.40	5.10	4.70	4.40	4.00	3.70	3.30
225	230	7.10	6.80	6.40	6.00	5.70	5.30	5.00	4.60	4.30	3.90	3.60
230	235	7.50	7.00	6.70	6.30	5.90	5.60	5.20	4.90	4.50	4.20	3.80
235	240	7.80	7.30	6.90	6.60	6.20	5.90	5.50	5.10	4.80	4.40	4.10
240	245	8.10	7.70	7.20	6.80	6.50	6.10	5.80	4.50	5.00	4.70	4.30
245	250	8.50	8.00	7.50	7.10	6.70	6.40	6.00	5.70	5.30	5.00	4.60
250	255	8.80	8.40	7.90	7.40	7.00	6.60	6.30	5.90	5.60	5.20	4.90
255	260	9.20	8.70	8.20	7.80	7.30	6.90	6.50	6.20	5.80	5.50	5.10
260	265	9.50	9.00	8.60	8.10	7.60	7.20	6.80	6.40	6.10	5.70	5.40
265	270	9.90	9.40	8.90	8.40	8.00	7.50	7.00	6.70	6.30	6.00	5.60
270	275	10.20	9.70	9.30	8.80	8.30	7.80	7.40	6.90	6.60	6.20	5.90
275	280	10.60	10.10	9.60	9.10	8.70	8.20	7.70	7.20	6.90	6.50	6.10
280	285	10.90	10.40	9.90	9.50	9.00	8.50	8.10	7.60	7.10	6.80	6.40
285	290	11.20	10.80	10.30	9.80	9.30	8.90	8.40	7.90	7.50	7.00	6.70
290	295	11.60	11.10	10.60	10.20	9.70	9.20	8.70	8.30	7.80	7.30	6.90
295	300	11.90	11.50	11.00	10.50	10.00	9.60	9.10	8.60	8.10	7.70	7.20
300	305	12.30	11.80	11.30	10.90	10.40	9.90	9.40	9.00	8.50	8.00	7.50
305	310	12.60	12.10	11.70	11.20	10.70	10.30	9.80	9.30	8.80	8.40	7.90
310	315	13.00	12.50	12.00	11.50	11.10	10.60	10.10	9.60	9.20	8.70	8.20
315	320	13.30	12.80	12.40	11.90	11.40	10.90	10.50	10.00	9.50	9.00	8.60
320	325	13.70	13.20	12.70	12.20	11.80	11.30	10.80	10.30	9.90	9.40	8.90
325	330	14.00	13.50	13.00	12.60	12.10	11.60	11.20	10.70	10.20	9.70	9.30
330	335	14.30	13.90	13.40	12.90	12.40	12.00	11.50	11.00	10.60	10.10	9.60
335	340	14.70	14.20	13.70	13.30	12.80	12.30	11.80	11.40	10.90	10.40	10.00
340	345	15.00	14.60	14.10	13.60	13.10	12.70	12.20	11.70	11.20	10.80	10.30
345	350	15.40	14.90	14.40	14.00	13.50	13.00	12.50	12.10	11.60	11.10	10.60
350	355	15.70	15.20	14.80	14.30	13.80	13.40	12.90	12.40	11.90	11.50	11.00
355	360	16.10	15.60	15.10	14.60	14.20	13.70	13.20	12.70	12.30	11.80	11.30
360	365	16.40	15.90	15.50	15.00	14.50	14.00	13.60	13.10	12.60	12.10	11.70
365	370	16.80	16.30	15.80	15.30	14.90	14.40	13.90	13.40	13.00	12.50	12.00
370	375	17.10	16.60	16.10	15.70	15.20	14.70	14.30	13.80	13.30	12.80	12.40
375	380	17.50	17.00	16.50	16.00	15.50	15.10	14.60	14.10	13.70	13.20	12.70
380	385	17.90	17.40	16.90	16.40	15.90	15.40	14.90	14.50	14.00	13.50	13.10
385	390	18.20	17.70	17.20	16.70	16.20	15.80	15.30	14.80	14.30	13.90	13.40
390	395	18.60	18.10	17.60	17.10	16.60	16.10	15.60	15.20	14.70	14.20	13.70

* Taken from Wisconsin Tax Tables

Minimum Wage

Do you earn the minimum wage?

A federal minimum wage increase was adopted by the federal government in 2007. The increase will occur in three steps:

July 24, 2007	increased by \$0.70 from \$5.15 to \$5.85 per hour
July 24, 2008	increased by \$0.70 from \$5.85 to \$6.55 per hour
July 24, 2009	final increase of \$0.70 from \$6.55 to \$7.25 per hour

What state do you live in?

As of Sept. 1, 2008, 25 states have a minimum wage rate higher than the federal minimum wage. In these states, you'll get paid the higher state minimum wage.

Alaska —\$7.15 per hour	Missouri —\$6.65 per hour
Arizona —\$6.90 per hour	New Hampshire —\$7.25 per hour
California —\$8.00 per hour	New Jersey —\$7.15 per hour
Colorado —\$7.02 per hour	New York —\$7.15 per hour
Connecticut —\$7.65 per hour	Ohio —\$7.00 per hour
Delaware —\$7.15 per hour	Oregon —\$7.95 per hour
Florida —\$6.79 per hour	Pennsylvania —\$7.15 per hour
Hawaii —\$7.25 per hour	Rhode Island —\$7.40 per hour
Illinois —\$7.75 per hour	Vermont —\$7.68 per hour
Iowa —\$7.25 per hour	Washington —\$8.07 per hour
Maine —\$7.00 per hour	Washington, D.C. —\$7.55 per hour
Massachusetts —\$8.00 per hour	West Virginia —\$7.25 per hour
Michigan —\$7.40 per hour	

Do you work as a waiter?

You'll get paid no less than \$2.13 per hour plus tips. Some states may require a higher hourly rate. In these states, you must be paid the higher amount.

\$2.13 per hour + tips = at least the federal minimum wage*

*If not, your employer must make-up the difference.

Overtime

Your employer is required by federal law to pay an overtime rate of 1.5 times your regular pay for all hours worked over 40 in one week. In Alaska, California and Nevada, overtime is paid for all hours worked over eight in one day. Employees in Colorado earn overtime on the greater of 40 hours per week or 12 hours per day.

Example: You work 48 hours in one week at \$10 per hour.

$\$10 \text{ per hour} \times 48 \text{ hours} = \480

$\$10 \text{ per hour} \times 8 \text{ hours} \times .5 = \40

$\text{Gross Pay} = \$480 + \$40 = \$520$

Teen Jobs

To work in most jobs, you must be 16 years old.

According to the U.S. Department of Labor, teens aged 14 and 15 may work in various jobs, but they must follow these rules:

1. **May not work more than three hours on a school day or 18 hours in a school week.**
2. **May work eight hours on a non-school day or 40 hours in a non-school week.**
3. **May not begin work before 7 a.m. or end after 7 p.m., except in the summer when evening hours are extended until 9 p.m.**

Some states may require further restrictions for teen workers. Visit your state's Department of Labor website to learn more about state regulations that affect you and your job.

- **Allowances:** Also called withholding allowances. Allowances indicate to employers how much tax to withhold from each employee's paycheck and also help them determine tax breaks for employees. The more allowances claimed on a Form W-4, the less money a company will withhold for taxes. Visit www.nationalpayrollweek.com/FormW4 to fill out a virtual Form W-4.
- **American Payroll Association:** A professional association that educates the individuals who calculate employee paychecks—payroll professionals. More information is available at www.americanpayroll.org.
- **Child Tax Credit:** Employees who have children under the age of 17 may be eligible to save up to \$1,000 in taxes per child.
- **Deductions:** An amount subtracted from a paycheck. The amounts are used to fund government programs, personal savings and more (see pages 7-8).
- **Dependents:** The employee's unmarried children under age 19 (age 24 if the child is a student).
- **Exempt:** Not legally required to pay taxes. Generally, you may claim exempt if you are single and earn less than \$8,950. However, if your parents claim you as a dependent on their tax return you can earn up to \$5,450 and be exempt if your unearned income (interest & dividends) is less than \$300. As a dependent, you also can claim exempt if you earn less than \$900, and you have unearned income of \$300 or more.
- **Federal Income Tax:** A tax on the money an employee earns that is used to fund the federal government. It's typically deducted from your paycheck automatically. The amount you pay is based on how much you earn and the allowances you claimed on the Form W-4.
- **FICA:** Federal Insurance Contributions Act. A law that requires all employees to contribute 7.65% of their earnings toward Social Security (6.2% of up to \$102,000) and Medicare programs (1.45%). It is usually deducted from your paycheck automatically by your employer.
- **Form W-4:** A form typically filled out when you begin a job. Your employer determines how much income tax to deduct from your paycheck based on how many allowances you claimed on the form.
- **Gross Pay:** Your total pay before any deductions are subtracted.
- **Medicare:** A federal program that provides medical insurance to Americans with certain disabilities and those who are age 65 or older. The program is funded as part of FICA.
- **Minimum Wage:** The lowest hourly wage employers may legally pay their employees.
- **National Payroll Week:** Held annually during the week of Labor Day, this campaign educates Americans about their paychecks, the payroll withholding system, and payroll-related benefits. More information is available at www.nationalpayrollweek.com.
- **Net Pay:** Your "take-home" pay after deductions are subtracted.
- **Overtime Pay:** A premium pay rate for any work done beyond 40 hours in one week. Under federal law, employees must be paid 1.5 times their regular rate of pay for hours worked beyond 40 in one week.
- **Single:** Not legally married. You're still legally single even if you are dating someone.
- **Social Security:** A federal program that provides an income to survivors, the elderly, and the disabled. The program is funded as part of FICA.
- **Spouse:** The husband or wife of an employee.
- **State Income Tax:** A tax on the money an employee earns that is used to fund the state government. It's typically deducted from your paycheck automatically. The amount you pay is based on how much you earn and the allowances you claimed on the Form W-4 or a state form that serves the same purpose.
- **Tax Liability:** The amount of tax you must pay.



Teacher Guide

Grades 9-12



Uncle Sam Takes a Bite

Fitness Focus

LESSON DESCRIPTION

Young people are sometimes surprised to learn the pay they earn is not the same as the pay they take home. This lesson introduces students to the concepts of gross and net pay. It teaches them how to compute simple deductions, use tax tables and determine the take-home pay for two employees.

Student Objectives

At the end of this lesson the student will be able to:

- ✓ Identify key terms such as gross pay, net pay, deductions, and benefits.
- ✓ Recognize the types of benefits provided by employers.
- ✓ Make distinctions between required and optional deductions.
- ✓ Compute net pay using payroll deductions and tax tables.

Workout

WARM-UP

Tell the class that the pay they earn is not the same as the pay they take home. Explain that the purpose of this lesson is to help the students understand the information used in calculating take-home pay.



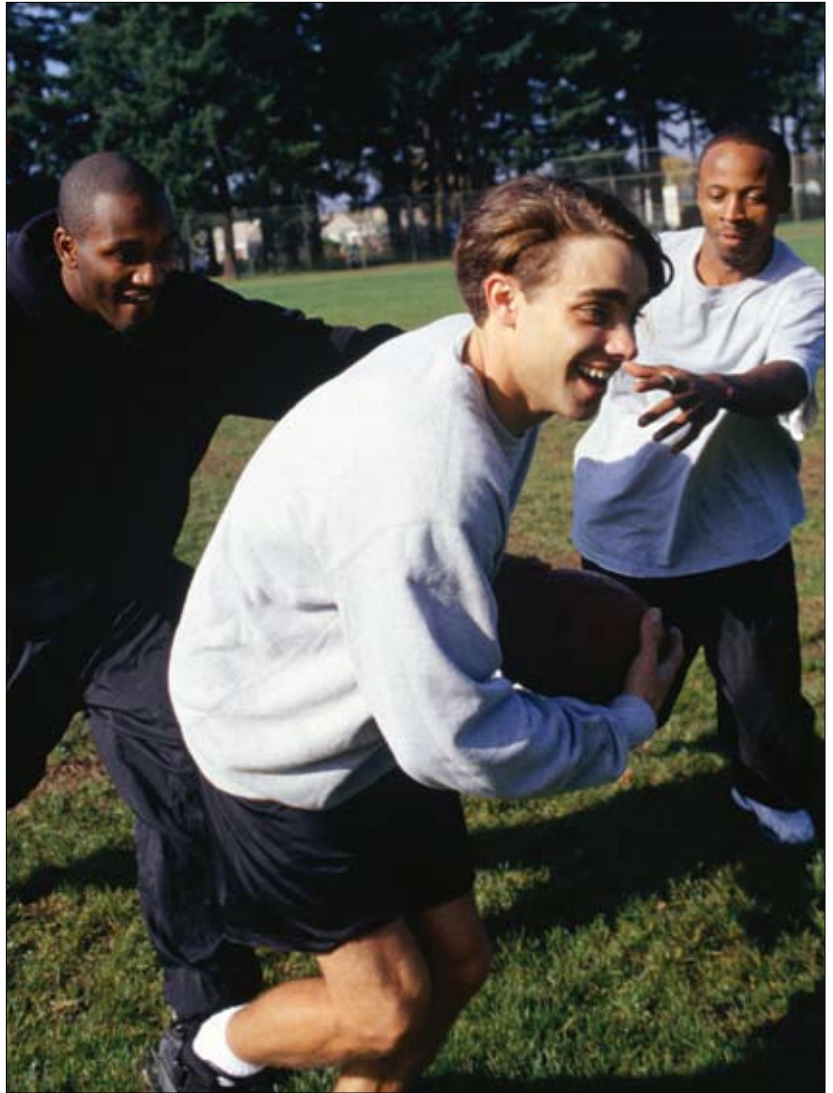
EXERCISE

- A. Tell the students to imagine it's their first day of work. Explain the Form W-4 and its purpose.**
- B. Direct the students' attention to Exercise 1, Filling Out Form W-4. Ask the students to read the background information, and use Worksheet 1 to calculate the correct number of Withholding Allowances.**

Many students have difficulty deciphering line 7 on Form W-4. When presenting Exercise 1, be sure to place emphasis on exemption qualifications to help ease each student's understanding. Provide additional explanation of "exempt" concepts and conditions to students as needed.
- C. Show Visual 1, page 22, and discuss the answers with the students.**
- D. Ask the students to imagine they have just agreed to start working a part-time job that involves working 15 hours per week at \$8.00 per hour. How much will that first week's paycheck equal? (Some students might fall for your trick question and say that the first paycheck should be \$120. Explain that \$120 is not correct.)**
- E. Explain that the amount of money that appears on an employee's paycheck is not the total amount of money earned. Several deductions are taken out of paychecks. Most of these deductions are for taxes. That is how Uncle Sam takes his biggest bite.**
- F. Have the students read Payday, What Are All These Deductions From My Paycheck? on page 6 in Student Workouts and answer the questions. Discuss the answers.**
 - 1. What is gross pay?** (*Gross pay is the total amount of money earned before any deductions are made.*)
 - 2. What is net pay?** (*Net pay is the amount on your paycheck left after all deductions are taken out of the gross pay.*)
 - 3. True or False? The amount of your paycheck equals the total number of hours you worked times your rate of pay.**
(*False. Mandatory and other deductions are taken out of your paycheck.*)

Workout

4. **Name three mandatory deductions.**
(Federal income tax, state income tax, local income tax, Social Security tax, Medicare tax.)
 5. **Name three other deductions.**
(Life insurance, disability insurance, medical insurance, dental insurance, retirement savings plan, and contributions to charity.)
- G. Direct the students' attention to Exercise 3 on page 10, Calculating a Paycheck #1. Ask the students to read the background information, the information on the form, and the information in the Federal and State Tax tables on pages 12-13 to calculate the net pay.
- H. Show Visual 2 on page 23, Key for Paycheck #1, and discuss the answers with the students.
- I. Direct the students to Reference 1 on pages 14 –15 for more information about teens in the workforce.
- J. Have the students refer to the teen payroll glossary on page 16 to clarify any terms that they may find difficult.



Other Training Equipment

An annotated bibliography and Internet resource list are available on the National Council on Economic Education's website, **www.ncee.net**.

COOL DOWN

- A. Direct the students' attention to Exercise 4 on page 11, Calculating a Paycheck #2. Ask the students to calculate take-home pay. Show Visual 3 on page 24, Key for Paycheck #2, and discuss their answers.



Form W-4 (2008)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2008 expires February 16, 2009. See Pub. 505, Tax Withholding and Estimated Tax.

Note. You cannot claim exemption from withholding if (a) your income exceeds \$900 and includes more than \$300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, certain credits,

adjustments to income, or two-earner/multiple job situations. Complete all worksheets that apply. However, you may claim fewer (or zero) allowances.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax

payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see the Instructions for Form 8233 before completing this Form W-4.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your projected total tax for 2008. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A	_____
B	Enter "1" if: <div style="display: inline-block; vertical-align: middle;"> <ul style="list-style-type: none"> • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. </div>	B	<u>1</u>
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C	_____
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D	_____
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E	_____
F	Enter "1" if you have at least \$1,500 of child or dependent care expenses for which you plan to claim a credit	F	_____
(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)			
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> • If your total income will be less than \$58,000 (\$86,000 if married), enter "2" for each eligible child. • If your total income will be between \$58,000 and \$84,000 (\$86,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have 4 or more eligible children. 	G	_____
H	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.)	H	<u>1</u>
<div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; padding-left: 10px; margin-right: 10px;"> For accuracy, complete all worksheets that apply. </div> <div> <ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$25,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below. </div> </div>			

----- Cut here and give Form W-4 to your employer. Keep the top part for your records. -----

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate ▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold;">2008</div>
1 Type or print your first name and middle initial. <i>Bobby</i>		Last name <i>Teenager</i>		2 Your social security number <i>123 45 6789</i>
Home address (number and street or rural route) <i>1234 Nowhere Street</i>		3 <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code <i>San Antonio, Tx 78205</i>		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		6 Additional amount, if any, you want withheld from each paycheck		5 <u>1</u> 6 \$
7 I claim exemption from withholding for 2008, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶ <u>7</u>				
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.				
Employee's signature (Form is not valid unless you sign it.) ▶ <i>Bobby Teenager</i>				
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)		10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form **W-4** (2008)

Key for Paycheck #1

Employee's name: _____

Pay period ☒ Weekly ☐ Semimonthly ☐ Monthly

Number of allowances 1 (0 or more) ☒ Single ☐ Married

GROSS PAY

1. You work 40 hours at \$ 8.00 per hour = \$320.00

DEDUCTIONS

Gross Pay = \$320.00

2. Federal Income Tax (see Federal tax table) \$24.00

3. State Income Tax (see State Tax table) \$13.20

4. FICA: Social Security Tax (use 6.20% x gross pay) \$19.84

5. FICA: Medicare Tax (use 1.45% x gross pay) \$4.64

Total Deductions (total lines 2 through 5) \$61.68

Net Pay (subtract total deductions from the gross pay) \$258.32

Key for Paycheck #2

Employee's name: _____

Pay period ☒ Weekly ☐ Semimonthly ☐ Monthly

Number of allowances 0 (0 or more) ☒ Single ☐ Married

GROSS PAY

1. You work 40 hours at \$ 9.00 per hour = \$360.00

DEDUCTIONS

Gross Pay = \$360.00

2. Federal Income Tax (see Federal tax table) \$40.00

3. State Income Tax (see State Tax table) \$16.40

4. FICA: Social Security Tax (use 6.20% x gross pay) \$22.32

5. FICA: Medicare Tax (use 1.45% x gross pay) \$5.22

Total Deductions (total lines 2 through 5) \$83.94

Net Pay (subtract total deductions from the gross pay) \$276.06